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United Nations Industrial Development Organization

Industrial Development Board

Twenty-fourth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 June 2001, at 3 p.m.

President: Mr. HOSSEINI (Islamic Republic of Iran)
later: Mr. HASSAN (Sudan)
later: Mr. HOSSEINI (Islamic Republic of Iran)

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The meeting was called to order at 3.20 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. F. Pittaluga Fonseca (Uruguay), in his capacity as Vice-President, should chair the consultation meetings, assisted by Mr. A. Fabijanski (Poland), also in his capacity as Vice-President. Mr. A.G. Abdel Rahman Hassan, Vice-President, would assist the President in the plenary if the latter was required for other consultations during the session. The Bureau had agreed that draft decisions on items which had not yet been discussed in the plenary or whose consideration had not been concluded would not be dealt with in the informal consultations.

2. *It was so decided.*

3. **The PRESIDENT** informed the Board that the Bureau had further agreed to take note of a request received from the Government of Ukraine concerning a proposed payment plan for its arrears, pending distribution of the relevant document (IDB.24/25) and a subsequent decision.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2000 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.24/2 and Corr.1 and Add.1; IDB.24/CRP.7)

4. **Mr. V. G. GARCIA III** (Observer for the Philippines) said that his delegation noted with concern the decreasing level of technical cooperation delivery and joined the call for UNIDO to adopt appropriate measures to keep administrative costs on technical cooperation projects in proportion with actual technical cooperation delivery. It further requested the Organization to have due regard for countries that had yet to benefit from integrated programmes when considering integrated programme projects for the Asian region.

5. For many countries in the Asia and the Pacific region, investment and technology services embracing Investment and Technology Promotion Offices (ITPOs), Investment Promotion Units (IPUs), International Technology Centres and Subcontracting and Partnership Exchanges (SPXs) constituted the core of UNIDO's *raison d'être* and the key element of its integrated programmes. The Organization therefore needed to reinforce such services in addition to its global forum and environment-related activities. Investment and technology promotion was crucial to industrial infrastructure development and capacity-building in the developing countries and to the establishment of an organized network for a worldwide business partnership, an area in which UNIDO had a reputation for expertise and performance. It should therefore maintain its comparative advantage in that field and enlarge upon it by increasing funding for the many Member States applying for such projects.

6. **Mr. SOERIAATMADJA** (Indonesia) said that UNIDO's commendable efforts in performance measurement and evaluation might usefully be further developed by establishing more comprehensive measurement indicators, covering the effectiveness and efficiency of UNIDO's activities, programmes and projects from the standpoint of recipients and the efficiency of allocation of resources from donor countries. Such measurement and evaluation was particularly important in view of resource constraints and would help Member States to monitor the progress made. It was a matter of concern that the level of effectiveness of project implementation, as reflected in the overall assessment shown in the table on page 41 of the Annual Report (IDB.24/2), had declined from 90 per cent in 1999 to 82 per cent in 2000. A further cause for concern was the steadily declining trend in technical cooperation delivery between 1991 and 2000. It was therefore of the utmost importance for UNIDO to exert greater efforts to improve project implementation and technical cooperation delivery.

7. The further development of country service frameworks was welcomed, provided effective implementation could be assured. They might be better suited to the requirements of larger countries with more complex industrial structures. Such frameworks would be consistent with the principle of UNIDO's services being demand-driven rather than supply-driven. He hoped that in future other countries, too, would benefit from such programmes, which would help accelerate the revitalization of industry.

8. **Mr. SREENIVASAN** (India) said that his delegation welcomed the presence of ministers of several African countries, as a testimony of Africa's commitment to UNIDO. UNIDO's assistance to industry to increase its competitiveness and its technical cooperation and global forum activities were highly appreciated, as was its successful integrated programme approach. Africa should derive maximum benefit from low-cost technology under such programmes and Indian expertise in that area, particularly in capacity building, was at the disposal of the African continent. Further commendable developments had taken place in the area of investment and technology promotion, with the Exchange programme and the establishment of International Technology Centres in seven countries, including his

own. The pilot phase of the International Centre for the Advancement of Manufacturing Technology was now nearing successful completion. Funds in an amount of $2 million had been raised and the operational phase was to be launched from 1 January 2002. The competitive skills of several industries would be considerably enhanced by the implementation of two national projects, concerning the toy and stone industries, with significant stakeholder participation, now under way, and another two, in the machine tools and lock industries, currently under development.

9. With the finalization of three country service frameworks in the previous year, attention should now be given to work on preparing further such frameworks. UNIDO interventions must be driven by demand rather than supply; once the needs of the host country were identified, integration of efforts from different agencies in their core fields of competence should logically follow. On the occasion of the Director-General's visit to India the previous year, the Indian Government had assured him of its continued support for UNIDO's activities and in finalizing the umbrella programme for the country. Most ongoing projects in India were nearing completion and there was an urgent need to formulate new projects suited to the requirements of industries in the current more competitive global context. Indeed, the need to increase the scope of UNIDO's activities in terms of both sectors and areas had never been greater, and the observed slowdown in formulating new projects was therefore a matter of concern.

10. Progress in upgrading India's office to a regional office had been somewhat slow but, after the initial difficulties, he trusted that the regional office would soon become fully functional. The study on the current situation of UNIDO field offices having apparently revealed that effective decentralization of activities to the field had remained incomplete, the grey areas in the functioning of field representation should be identified and field offices should work in full association with the host country to ensure the success and integration of UNIDO programmes in countries. A closer review of ongoing programmes with the host country would improve their implementation, thereby benefiting stakeholders, and bring about synergy in the implementation of programmes by different agencies.

11. It was gratifying to note the strengthening of UNIDO's association with the Global Environment Facility (GEF), with UNIDO being granted the status of executing agency of GEF, and the closer relations between UNIDO, GEF and the European Commission with regard to environment-related projects, with progress made in mobilizing resources. Cost-sharing contributions from recipient countries for various programmes would increase commitment and strengthen ownership, besides adding to the programmable balances. His Government was supporting a project for formulating projects for GEF funding. One project, for cold-bed methane recovery and commercial utilization, had been approved for India, but the response time for the formulation of projects for GEF funding needed to be reduced through greater interaction with the host country. India's strong commitment to promoting cleaner production was reflected in its establishment of a fourth Regional Cleaner Production Centre. Following a positive assessment of the Partnership Programme for the Automotive Project, phase 2 of the project was now under development, with strong stakeholder participation and concurrent as well as post-project evaluation.

12. The serious financial situation of UNIDO was a matter of concern to India, which had regularly paid both assessed and voluntary contributions, despite an increase in its contributions since 1999. UNIDO should maintain the existing maximum assessment rate of 25 per cent.

13. He drew attention to India's candidature, the only one from the Asian region, for the post of External Auditor, and trusted that it would receive the Board's support. The candidate was the Comptroller and Auditor-General of India, who had extensive experience in the field.

14. **Mr. SAHINBAS** (Turkey) noted the progress made in the implementation of integrated programmes but expressed concern that many such programmes could not be fully implemented on account of a shortage of funding. It was important to draw up realistic funding plans and to involve recipient countries in the preparation and implementation phases. Selecting feasible and effective projects and adapting existing programmes to changing circumstances would enable the integrated programmes to remain as the main focus of the Organization's activities.

15. UNIDO should continue to build a constructive relationship with various United Nations and other international and regional organizations, creating synergies and avoiding duplication. He welcomed UNIDO's contribution to the recent Third United Nations Conference on the Least Developed Countries, where it had shared its experience with the representatives of the least developed countries (LDCs) and other participant countries, for example in the field of energy and in the context of the round-table discussions held in parallel with the main Conference. UNIDO might usefully extend its contribution to other international and regional gatherings. Its participation in a seminar to be held in September 2001 in Istanbul in cooperation with the Organisation for Economic Cooperation and Development (OECD) on cross-border partnership for enterprise development and investment

promotion, covering the members of the Black Sea Economic Cooperation Organization (BSEC), would be most welcome. The seminar was expected to be the first step towards drawing up an investment charter for the BSEC countries.

16. Consolidation and stabilization of the field office network and the efforts made to enhance the effectiveness of those offices were important steps towards achieving well-planned decentralization and thus enhancing the Organization's performance. Cash contributions by the host countries were essential to meeting that objective.

17. Post distribution among UNIDO staff should be equitable and should take account of the staff's proven high-quality performance. Regarding vacancy announcements, the deadline for applications should be set in time for the Permanent Missions to be able to communicate the announcements to the relevant national authorities.

18. Acknowledging the successful changes brought about in the Organization in recent years as a result of the implementation of the Business Plan, he said that the next step was to assess the results of the reforms so as to assist the Organization in carrying out its crucial role effectively and efficiently.

19. **Mr. ZHANG YISHAN** (China) said that he was pleased to note the achievements made in refocusing priority areas, promoting technical cooperation, expanding the results of reform and further consolidating stability. The previous year had witnessed significant progress in cooperation between UNIDO and China. In December 2000, UNIDO, in cooperation with the Shanghai Municipal People's Government, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation of China, had organized the Asia-Pacific Forum on Industrial Development in Shanghai, attended by ministers of industry and trade and high-ranking representatives of the public and private sectors and academia from 19 countries. Participants had discussed such issues as enhancing the competitiveness of industry in the region, the potential impact of China's entry into the World Trade Organization on the region and the role to be played by UNIDO. The Forum was expected to be conducive to a strengthening of industrial cooperation in the region. Several major cities had plans to develop their cooperation with UNIDO through trust funds in such areas as information technology, the development and application of sustainable energy resources, investment promotion and transfer of technology, with a government input of $2.5 million. The project document and trust fund agreement would soon be ready for signature. UNIDO's cooperation in the process was much appreciated.

20. While he was pleased to note a number of initiatives on which progress had been achieved, it was a matter of concern that, for a total of 43 integrated programmes for which $256 million was needed, only $66 million had been mobilized to date. He urged UNIDO to intensify the mobilization of funds.

21. Similarly, although there had been an improvement in the collection of assessed contributions, the amount of arrears had also grown, and the Organization's finances had not fundamentally improved. The shortage of funds and staff meant that the programme delivery rate had gone down in comparison with the situation in 1999. He appealed to all delegations to pay their contributions on time and in full so that UNIDO's operational activities would not be affected. In that context, he expressed concern at the proposed scale of assessments contained in document IDB.24/5. Whether the maximum rate was fixed at 22 per cent or 25 per cent, a number of developed countries would see their contributions decrease, while some developing countries would pay more, with the inevitable result of greater burdens on both them and UNIDO, which would need to collect their contributions. It ran counter to all the efforts of previous years. His delegation therefore concurred with the Group of 77 in advocating that the scale of assessments should be maintained at the level of the 2000-2001 fiscal year.

22. *Mr. Hassan (Sudan) took the Chair.*

23. **Mr. OGBUEHI** (Nigeria) expressed his delegation's concern at the general decline in resources for technical cooperation activities, from some $97 million in 1997 to $68 million in 2000. Moreover, table 6, appendix A, of the Annual Report showed that, whereas in 1997 $22 million had been spent on technical cooperation activities in Africa, in 1998 the total had been $14 million, in 1999 $15 million and in 2000 $11 million. His delegation was particularly dismayed by the sharp decline in view of the fact that some regions had benefited from higher expenditure. He therefore called on Member States and other donors to increase their voluntary contributions, in particular for the Industrial Development Fund, and to facilitate access to bilateral funds. His delegation welcomed the recent agreement between UNIDO and the European Union in that regard. Lastly, he announced that his Government had just paid $1 million to the trust fund established for the implementation of the country service framework.

24. **Mrs. BERNATOWICZ** (Poland) said that the twenty-fourth session, which would be the last meeting of a UNIDO policy-making body prior to the ninth session of the General Conference, provided an opportunity to analyse the progress of the Organization's reform, or transformation, in the light of strategic decisions taken by Member States. It should

also, however, set clear directions for future development. Priority should obviously be given to the 2002-2003 programme and budgets and to the Organization's financial situation and consideration of the scale of assessments. The past four years had shown how the interests of donor and recipient countries should be balanced; and the Board could use the lessons learnt to ensure that the developing and transitional economies maximized their industrial potential.

25. The Annual Report, which dealt with issues of the utmost importance not only to UNIDO itself but to the industrial sector of the world economy as a whole, showed that the Organization was heading in the right direction, adjusting its activities and targets to the current needs of both donor and recipient countries, while maintaining a realistic attitude to the availability of financial resources. Such an approach would strengthen the Organization's usefulness in advancing the industrialization process.

26. The quality of the Annual Report showed a substantial improvement, in both format and content. Her delegation noted with satisfaction that a stronger focus had been given to the countries with economies in transition, including the regional programme of technology foresight and the regional quality and productivity initiative, centring on Poland. UNIDO policies were becoming more balanced. Her delegation trusted that the trend would be maintained in the future and hoped that the Board would resolve all programme and budget questions for the next biennium.

27. **Mr. BERDENNIKOV** (Russian Federation) said that his delegation was in favour of retaining UNIDO's current mandate and organization, since they ensured the smooth running of operational activities. Any plans for reorganization should be approached with great caution. The recent reform had meant that projects and programmes were carried out more economically, taking account of recipients' requirements and the complex nature of the services rendered, and cooperation between various sections of the Secretariat had improved. There should, however, be greater transparency and closer cooperation with Member States.

28. He expressed satisfaction at the progress in implementing the cooperation programme between UNIDO and the Russian Federation, which, being both systematic and focused, had been broadly successful. Cooperation had improved at both federal and regional level, with the result that the performance of the joint programme had also improved. Activities under the programme, which focused on the priority areas for the Russian Federation, such as assistance with investments in the scientific and technical sector, the development of innovation in business and assistance for small and medium-sized enterprises, should undoubtedly continue. Indeed, discussions should shortly begin on the practical form that cooperation and projects under the 2002-2005 cooperation programme should take.

29. The expansion of its global forum activities had enabled UNIDO to increase its authority as the focus of progress in all matters relating to industrial development. To achieve still greater advances, UNIDO should concentrate on analysing and defining basic trends in contemporary industrial development, making practical recommendations on resolving existing problems and establishing the best way forward for industrial policy. To that end, a few relevant themes for industry in the context of the global forum should be identified. One such theme might be UNIDO's role in facilitating access to information and communication technologies and their transfer, inter alia through partnerships with other interested parties, including the private sector.

30. It would be of real practical use for economies in transition for UNIDO to expand its technology foresight activities. The outcome of the regional meeting in Vienna in April 2001 had been most helpful. The next step would be to implement the measures recommended. In that context, he noted that there had been some—but not enough—action to follow up General Conference resolution GC.8/Res.6, relating to the region of Europe and the Newly Independent States (NIS). He requested the Secretariat to provide further information on the follow-up to a range of measures affecting the countries of the region, such as the Regional Forum on Industrial Cooperation and Partnership in Central and Eastern Europe and the Newly Independent States, the Regional Conference on Technology Foresight and regional programmes on improving productivity and quality and the transfer of cleaner technologies. There should also be more active cooperation between UNIDO and the Black Sea Economic Cooperation Organization, as well as more encouragement for other international organizations to work with the latter body.

31. The implementation of integrated programmes highlighted the need for UNIDO to strengthen its resource mobilization. There were substantial opportunities for attracting resources both from donor countries and from other sources, including the private sector and national financial institutions. At such a critical juncture, Member States should know how the Secretariat proposed to mobilize resources. Although the Organization was headed in the right direction, increasingly difficult problems lay ahead and they could be solved only through cooperation, partnership and concentration on practical results.

32. **Ms. ZVEREVA** (Belarus) said that activities in connection with the global forum would not only contribute to greater success in technical cooperation

projects but would facilitate the development of practical recommendations for industrial policy for developing countries and economies in transition on the basis of current trends in industrial policy. Technology was crucial in raising competitiveness and promoting economic and social development. Following the success of the Regional Conference on Technology Foresight, her delegation called on UNIDO to advance the process through further initiatives and national and regional programmes.

33. With regard to UNIDO's technical services package, it was important to develop the integrated programmes, which had already shown their significance in the UNIDO transformation process, and provide adequate funding for them. Despite current financing problems, the steps taken by the Secretariat should serve to raise UNIDO's profile among the donor countries. Some success had already been achieved, as the Annual Report made clear: additional funds had been obtained for integrated programmes and access to bilateral funds had been improved. It must, however, be a priority for the Secretariat to find additional resources for integrated programmes. At the same time, such programmes should be flexible, responding to changes on the ground, the priorities of recipient States and the availability of finance. It was also crucial to coordinate UNIDO's activities with those of other agencies of the United Nations system in order to streamline work on country and regional integrated programmes.

34. The Secretariat had made admirable progress in implementing General Conference resolution GC.8/Res.6 concerning the region of Europe and the Newly Independent States. The countries with economies in transition were, after all, potential donors and investing resources in the modernization of their industrial potential would bring considerable dividends to both UNIDO and Member States. As the Annual Report showed, several countries of the region had already become donors.

35. Cooperation between her country and UNIDO had increased significantly over the past year. The UNIDO project on the creation of infrastructure to support innovative enterprises in the Republic of Belarus, as part of the preparatory stage of an integrated programme, was proceeding successfully. In accordance with the principle of joint responsibility, the project was financed by UNIDO, the United Nations Development Programme and the Government of Belarus. The seminar on innovation policy and commercialization of R&D, held in Minsk in 2000, had formed part of the project. Another important aspect of the project was the development of international cooperation. Over a short space of time and with very little expenditure, it had been possible to achieve important results, especially given that international cooperation preceded the establishment of a national infrastructure. An agreement had been signed with China on establishing a Belarus/China Technopolis in Jinan as an affiliated institution of the National Centre of Technology Transfer established in Belarus with UNIDO assistance. The agreement had every prospect of turning into a self-developing integrated programme for the modernization of industry and improved competitiveness in the global market.

36. Her Government was shortly to sign a memorandum on cooperation in industrial development with UNIDO, which should lay the basis for the further development of cooperation. Lastly, her delegation looked forward to the forthcoming visit to Belarus by the Director-General.

37. **Mr. HÜSEYNOV** (Observer for Azerbaijan) welcomed the launching of integrated technical cooperation programmes, which were sure to respond directly and efficiently to the needs of Member States, in particular those with economies in transition. His own country had, despite difficulties, been successfully implementing reforms since 1995. The recession had been reversed and the economy was continuously developing. Thanks to progressive legislation, macroeconomic stability, action on inflation and large-scale privatization, the country's gross domestic product had been increasing since 1996. The industrial sector, however, was in need of further development in order to integrate into the world economy. His Government had therefore applied in February 2001 for a UNIDO integrated programme. Environment and energy, investment and technology promotion, private sector enterprise development, quality and standardization, as specified in the memorandum between Azerbaijan and UNIDO signed in July 2000, would constitute a good basis for the development of the integrated programme. His delegation was confident that both Azerbaijan and UNIDO would benefit from the successful implementation of the programme.

38. UNIDO's ability to provide valuable technical cooperation programmes was dependent on the voluntary contributions of donor countries. Recent reforms would encourage potential donors to make more voluntary contributions. UNIDO should, however, work more closely in that regard with international financial institutions.

39. **Mr. PEREZ GAITAN** (Guatemala) said that his country benefited from a UNIDO integrated programme intended to support and improve the competitiveness of its productive sector. The programme had achieved its purpose and been very successful. One of its components focused on small- and medium-scale enterprises, especially those located in the remote region of Peten, with the purpose of supporting economic activity in areas of the country where State institutions were less prominently represented. Three new offices

were to be opened in the departments of El Progreso, Jalapa and Suchitepequez, to be coordinated with the Ministry of Economic Affairs, and particularly the Department for Small Businesses. His delegation supported UNIDO's initiative in launching a subregional programme for Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama with the purpose of facilitating trade and access to new markets, bearing in mind the new regional and subregional free trade treaties and the decisions of the World Trade Organization.

40. *Mr. Hosseini (Islamic Republic of Iran) resumed the Chair.*

41. **Mr. HASSAN** (Sudan) noted with regret that, in respect of integrated programmes (appendix C of document IDB.24/2), total funds available were slightly over $59 million, whereas current planning figures came to more than $247 million. The developing countries, especially the LDCs, had made considerable efforts and spent substantial resources on integrated programmes, and were quite disappointed at the modesty of the achievements.

42. The developing countries faced many difficulties, and developments attributed to globalization often had an adverse effect on their efforts to achieve economic development. The purpose of trade liberalization had been to do away with trade barriers. The appropriate technology existed, but there was a lack of the required direct investment. Published statistics showed that total direct investment in the developing countries in 2000 represented no more than 20 per cent of all direct investment. Programme implementation for the integrated programmes was not in line with expectations. The share of Africa in UNIDO's assistance was quite modest, and was not doing very well compared with what had been achieved in other continents. The Director-General had expressed good intentions with regard to Africa, and the Sudan appealed to the more developed countries to come forward with the donor resources that UNIDO required.

43. UNIDO had participated in the Third United Nations Conference on the Least Developed Countries, held at Brussels in May 2001 and aimed at arresting the further marginalization of the LDCs and stimulating their socio-economic development. It was the Sudan's hope that UNIDO would study the results and conclusions of that Conference, and inform the Board at its next session as to what had been achieved.

44. Turning finally to appendix L of the Annual Report, he noted from table 2 that, in Secretariat posts that were subject to geographical distribution, women were very poorly represented at the higher grades. There were no women in the six D-2 posts; moreover, none of the men were African. His delegation hoped that the Secretariat would change that situation, and asked for fuller information regarding geographical distribution in higher-graded posts.

45. **Mr. KAUDIYASH** (Ukraine) said that the Annual Report reflected the need for Member States to strengthen their cooperation. It also provided an up-to-date account of UNIDO's transformation, indicating the main problems and key issues and priorities the Organization faced. The new century of globalization and internationalization required new approaches and principles in international development.

46. Turning to the question of Ukraine's arrears of contributions to UNIDO, an issue that was to be dealt with under item 5 of the agenda, he said that the debt of almost $9 million had accumulated for reasons beyond Ukraine's control. The substantial arrears were the result of an outdated system of apportionment of expenditure which over a number of years had been incapable of adequately taking into account the capacity of countries to pay and to react in a timely manner to their changed economic and financial potentialities. Ukraine was currently undergoing a difficult stage in its development, with accelerated implementation of economic reforms and transformation to a new society, which required considerable additional material and financial resources, so his delegation wished to request the Board to establish an agreement between his Government and UNIDO regarding the settlement of Ukraine's arrears in instalments over a maximum period of 15 years. His delegation hoped that that proposal would be given favourable consideration by Member States with a view to the further development of cooperation.

47. **Mr. SCHNYDER von WARTENSEE** (Switzerland) said that he would comment first on the National Cleaner Production Centres and the possibilities for expanding their activities in regard to the implementation of environmental conventions. Switzerland regarded cleaner production and waste reduction as one of the most important areas of UNIDO's activity. Sustainable industrialization was one of the great challenges of the new century, and cleaner production was central to attainment of the objective of sustainable development. That was why Switzerland had concentrated its cooperation with UNIDO on the establishment of cleaner production centres, and it had been pleased to note in the Annual Report that three new centres had opened in Africa. Switzerland welcomed the introduction by UNIDO of success indicators to evaluate the outputs of cleaner production centres, and was convinced that under UNIDO's leadership they would be able to play an important role. Coordination between the centres and other sectors of the Organization's activities was desirable.

48. Switzerland had noted with pleasure that cooperation between UNIDO and the Global Environment Facility was increasing, and that UNIDO was becoming an important partner in implementing the Convention on Persistent Organic Pollutants. That trend fitted in perfectly with Switzerland's view of the cleaner production centres of the future. Turning finally to the results-oriented management of UNIDO programmes, he said that the Organization's achievements with respect to performance measurement by means of guidelines, baseline data and success indicators for integrated programmes would make it possible to pinpoint the changes brought about through UNIDO's intervention, and Switzerland suggested that integrated programme results should be incorporated in the annual report on integrated programme projects.

49. **Mr. PALACIOS CEVALLOS** (Ecuador) said that the Annual Report referred to a single project for Ecuador, with a budget of $15,700, approved in the context of cooperation between UNIDO and the United Nations Conference on Trade and Development. Unfortunately, that did not reflect his country's requirements or the efforts made by his Government to increase UNIDO's contribution to Ecuador's socio-economic development. Ecuador had requested an integrated technical cooperation programme and identified a number of priority areas of interest. The two UNIDO missions to his country had confirmed the efforts made by the public and private sectors in preparing Ecuador's proposal. Despite its very serious financial crisis, Ecuador had made considerable efforts to discharge its responsibilities vis-à-vis UNIDO, and hoped that the technical cooperation programme would be approved in the months ahead.

50. His delegation was well aware that any effort would be useless unless Ecuador received financial support for programme implementation, which was why he was appealing to donor countries to consider the various components of the proposed programme, so that they could identify where they might provide support in the form of voluntary contributions.

51. In the context of the bilateral development plan for the border region between Ecuador and Peru, UNIDO had approved a programme for alternative power generation by small hydro-electric plants for the benefit of rural communities. Ecuador thanked UNIDO for its valuable support in the preliminary assessment of the project.

52. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) explained, in reply to a point raised in the debate, that table 9 in appendix A of the Annual Report concerned regular and operational budget net expenditures and did not include the resources that came from donors. Under UNIDO's Constitution, only 6 per cent of the regular budget could be earmarked for technical cooperation activities.

53. Turning to the question of Africa's share in UNIDO's technical cooperation activities, he said that one reason why overall technical cooperation activities had decreased in the past three years was the time-lag: the effects of a technical cooperation programme activity being prepared one year were felt two to three years later, and the turbulence in the Organization in the years 1996 and 1997 was in fact now being felt. Also, since most of the expenditure on technical cooperation had to come from donor funds, the amount of expenditure depended on the size of those funds, and there had been a change in donor funding over the last five or six years. At one time 60 per cent of UNIDO's technical cooperation expenditure was being met by UNDP, whose focus was on Africa, but as the UNDP share had fallen so the share of the Montreal Protocol had increased, and that programme focused on Asia. In the past two years the UNIDO Secretariat had been implementing a strategy to increase funding for Africa; in 2000, 73 per cent of funds earmarked for implementation of all integrated programmes had gone to Africa (55 per cent for sub-Saharan Africa and 18 per cent for the African Arab States). Of the 6 per cent funding from the regular budget and other programmable funds about 66 per cent had been allocated to Africa. Through that diversion of funds UNIDO sought to balance the difficulties resulting from the declining UNDP share and the increasing Montreal Protocol share. It also had to be acknowledged that conditions on the ground were not the same everywhere; even if the same sums of money were allocated, results would vary. The effect of the Secretariat's efforts to direct more funding to Africa would be felt in a couple of years' time.

54. He had taken note of the statement by the representative of India regarding the functioning of the UNIDO regional office in New Delhi and his concern at the small number of new projects.

55. Regarding geographical representation in the Secretariat, a conference room paper would be circulated setting out in greater detail the relative share of staff posts between the various regions.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.24/3, IDB.24/4, IDB.24/5, IDB.24/6, IDB.24/7 and Add.1, IDB.24/8, IDB.24/9, IDB.24/10, IDB.24/11, IDB.24/20, IDB.24/22 and IDB.24/25)

56. **Mr. SHOUKRY** (Egypt), speaking on behalf of the Group of 77 and China, expressed his support for all the draft decisions recommended by the Programme and Budget Committee to the Board (see document IDB.24/22) and, in view of the vital need for an

unconditional commitment on the part of all Member States in order to meet the challenge of sustainable industrial development, called for the unanimous adoption of the draft decision recommended by the Committee in its conclusion 2001/3 on the programme and budgets for the biennium 2002-2003.

57. With regard to the scale of assessments for apportionment of the regular budget expenses, it was imperative, in the interests of UNIDO's financial stability, to maintain the current scale with the maximum assessment rate of 25 per cent.

58. **Ms. LINDHOLM** (Sweden), speaking on behalf of the European Union and the associated States of Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Malta, Poland, Romania, Slovakia, Turkey and Slovenia, stressed the importance of reaching a decision during the present session of the Board on the level of the budget for the following biennium. In that regard, the European Union considered the proposal for the regular budget contained in document PBC.17/3 to be realistic and understood that it allowed the Director-General to identify further possible savings in order to maximize the impact of the Organization's available resources.

59. With regard to the scale of assessments, she pointed out that the scale decided by the United Nations General Assembly for the years 2001-2003 was the result of a complex package, one element of which was that reducing the maximum assessment rate from 25 to 22 per cent should apply only to the United Nations programme and budget and have no automatic implication for the specialized agencies or the International Atomic Energy Agency, as stated in General Assembly resolution 55/5 of 22 December 2000. The European Union maintained that each Member State of UNIDO should pay an assessment based on its capacity to pay and that the new scale decided in New York should therefore apply but with the maximum rate kept at 25 per cent.

60. The European Union was fully committed to the ongoing reform of UNIDO and supported continued implementation of the reform process outlined in the Business Plan. It strongly encouraged all countries to pay their arrears and assessed contributions in full and on time.

61. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, reiterated the Group's position that, in order to stabilize and consolidate the Organization's financial situation, it was imperative to maintain the present scale of assessments with the same ceiling, as provided for in column 7 of document IDB.24/5.

62. **Mr. PAULINICH** (Peru), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the Latin American and Caribbean countries supported adoption by the Board of the draft decisions presented by the Programme and Budget Committee, in particular the Committee's conclusion 2001/3 on the programme and budgets for the biennium 2002-2003.

63. He also reiterated GRULAC's support for the position expressed by the Group of 77 and China on the scale of assessments, namely that the current scale should be applied during the biennium 2002-2003 without change. That view was based on the conviction that sustainable industrial development in the context of globalization was a shared responsibility calling for a clear and unconditional commitment on the part of all Member States.

64. **Mr. DE JESUS FIGUEIREDO** (Angola), speaking on behalf of the African Group, expressed that Group's support for the decisions adopted by the Programme and Budget Committee. With respect to the reservation raised by one Member State regarding the proposed programme and budget for the biennium 2002-2003, he warned that further budgetary savings might jeopardize the Organization's core activities. It was to be hoped that the current consultations aimed at resolving outstanding issues would reflect the political will of Member States to enable UNIDO to fulfil its mandate.

65. Concerning the scale of assessments, he acknowledged the importance of General Assembly resolution 55/5 notwithstanding the fact that specialized agencies were not automatically bound by the resolution. In view of UNIDO's special circumstances and the need to further strengthen the Organization in order to enable it to continue to discharge its mandate, the existing scale of assessments should be maintained. In that regard, it should be noted that the alternatives presented served for the most part to increase the rates of developing Member States that were experiencing serious financial difficulties.

66. Regarding the outstanding issue of the appointment of an external auditor, the African Group wished to reiterate its support for the African candidate, Mr. Shauket Fakie, whom it considered to be eminently qualified to occupy the post concerned.

67. **Mr. ABE** (Japan) recalled that during the discussions of the Programme and Budget Committee at its most recent session his delegation had raised a reservation regarding the level of the budget. In view of his Government's continued advocacy of zero nominal growth throughout the international organizations, his delegation was obliged to maintain that reservation and to call for further efforts to bring the UNIDO budget as close as possible to zero nominal growth.

68. Concerning payment of assessed contributions, it was noteworthy that as many as 90 Member States, or approximately 53 per cent of UNIDO's membership, had not paid their assessed contributions for 2000, with the consequence that the Secretariat was forced to run the Organization at a level 15 per cent below that of the approved budget. He accordingly called for the full and timely payment of assessed contributions and stressed the importance of persisting in the collection of the arrears of past contributions. An improvement in the collection rate of a mere 5 per cent would mean that, even with a zero nominal growth budget, UNIDO's financial position would be improved.

69. Concerning the scale of assessments, his Government was concerned that UNIDO's policy should be consistent with the emerging practices of the United Nations and other international organizations in lowering the ceiling for the scale from 25 to 22 per cent. It was understandable that most, if not all, Member States preferred to maintain the 25 per cent ceiling for Japan in order to avoid higher rates for themselves. However, the United Nations, followed by major United Nations specialized agencies such as the United Nations Educational, Scientific and Cultural Organization, the Food and Agriculture Organization and the World Health Organization had decreased their ceiling to 22 per cent. Under those circumstances, his Government did not feel that UNIDO should be an exception.

70. The fact that General Assembly resolution 55/5 stated that the reduction of the maximum assessment rate should have no automatic implication for the specialized agencies merely confirmed that the latter enjoyed financial autonomy and that, in the case of UNIDO, the resolution did not prevail over the relevant provisions of the UNIDO Constitution, which in Article 15.2 stated that the scale of assessments should be based to the extent possible on the scale most recently employed by the United Nations. He wished he could say that, despite the example of other international organizations, Japan would voluntarily pay 25 per cent, but its severe economic and fiscal problems obliged it to scrutinize its financial contributions to international organizations. The adoption of the generally prevailing system of assessment would be crucial in securing domestic support for his country's continued contribution to UNIDO.

71. **Mr. KALININ** (Russian Federation) said that his country had no objection to the recommendation of the Programme and Budget Committee regarding the level of the budget for the biennium 2002-2003 and took the view that the General Assembly resolution concerning the reduced maximum rate of assessment for the United Nations was not applicable system-wide.

72. Improvements could nevertheless be made in the format of the budget in the interests of greater clarity and transparency. In particular, in the section setting out the major programmes, the information comparing expenditure for the forthcoming financial period with the corresponding expenditure under the preceding budget should provide a clearer explanation and justification of all changes in expenditure levels.

73. With regard to his own country's obligations, Russia had now fully settled its debts to UNIDO, having paid an amount of some 12 million dollars in 2000 and 2001, and had thus assisted in stabilizing the Organization's financial position during its difficult process of reform. It had also fully paid its contribution for 2001 and called upon other Member States to strictly observe their financial obligations to UNIDO.

74. His delegation called upon UNIDO's senior management to deploy renewed efforts to give effect to the Committee's recommendations on the timely payment of contributions, especially as regards the collection of arrears owed by the United States. In that regard, he requested the Secretariat to report on what had been done to that end.

75. **Ms. ZVEREVA** (Belarus) stated her delegation's support for the draft programme and budgets for 2002-2003, which complied with the principle of zero real growth. It was somewhat concerned, however, about the 6 per cent reduction in major programmes C ("Strengthening of industrial capacities") and D ("Cleaner and sustainable industrial development"), which constituted core activities of UNIDO.

76. With regard to the scale of assessments, the fundamental principle to be observed was that the scale should as far as possible reflect the real capacity of Member States to pay. Any new approach in establishing the scale should take account of the real prospects for a number of countries of settling their accumulated arrears and at the same time meeting their future financial obligations to UNIDO.

77. The recent steady improvement in the Organization's financial position, attesting to growing support for the course it was pursuing, was accompanied by a trend towards an increasing number of States in arrears, a number which, regrettably, included Belarus. Her country's difficulties in that regard were due to the arrears accumulated over the years when it was assigned an unrealistic rate of assessment for contributions to the United Nations and other international organizations. Belarus was now taking the necessary steps to explore ways and means of paying its basic arrears and hoped that the matter would soon be resolved.

8. **Mr. CHOI Sang-duk** (Republic of Korea), associating his delegation with the statement made on behalf of the Asian Group, stressed the importance of maintaining and continuing to improve the Organization's financial health and stability. The current scale of assessment should be maintained. He noted that if the new scale adopted by the United Nations were to be applied in the case of UNIDO, almost all the Organization's major contributors would experience a decreased rate of assessment while the developing countries would bear an increased financial burden.

The meeting rose at 5.50 p.m.